Request for Proposals

Launching a Community Energy Alliance
From
The Southeast Energy Efficiency Alliance

February 2009

I. General Information for Cities and Counties in the Eleven Southeastern States

I-1 **Purpose**: The purpose of this Request for Proposals (RFP) is to select a City, County, or regional governmental organization (we will refer to "cities and counties" for brevity from this point forward) to design and implement a community energy alliance. This is a call to cities and/or counties in the eleven southeastern states to design and implement an effort not unlike a political campaign, sustained for five-seven years, to achieve unprecedented gas, electricity and water savings by retrofitting buildings and installing renewable technologies in all end-use sectors. **The goal is to realize deep market penetration (30-50%) and comprehensive utility savings (20-40% per participating customer) through a program design that can be widely replicated.** This program design is largely based on an effort now underway in Cambridge, MA and being planned in the US Virgin Islands, Cincinnati, Ohio and New York, NY. Given the inclusion in the current stimulus package before Congress an energy development block grant program promising several billion dollars directly to cities and counties, this opportunity represents an organizational vehicle and program plan to efficiently, quickly and fairly allocate those funds, and do so with a leveraging potential not otherwise likely.

A successful proposer can expect an award of up to $500,000, from foundation and additional funding sources. Eligible applicants can come from the following states: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia.

I-2 **Issuing Organization**: This RFP is issued by the Southeast Energy Efficiency Alliance. Please refer all inquiries to:

Ben Taube
Executive Director
Southeast Energy Efficiency Alliance
cities@seealliance.org
P.O. Box 13909
Atlanta, GA 30324
404-931-1518

I-3 Schedule

Bidder's Teleconference: February 23, 2009 at 10AM EST, call in number is 1.866.309.0557 and Meeting Number: *1720323*

Intent to Respond Due:	March 6, 2009
Deadline for Questions (cities@seealliance.org):	March 16, 2009
Bidders Responses Due:	May 15, 2009
Finalists Contacted:	May 30, 2009
Oral Interview:	June 10, 2009
Selection Date:	June 20, 2009

I-4 **Rejection of Responses**: SEEA reserves the right to reject any and all applications received from Cities or Counties as a result of this request.

I-5 **Incurring Costs**: SEEA is not liable for any cost or expenses incurred by the Cities or Counties in the preparation of their applications or proposals or for attendance at any conferences or meetings related to this RFP.

I-6 **Disclosure of RFP Response Contents**: The approved applications are not confidential. All material submitted becomes the property of SEEA. SEEA has the right to use any or all concepts presented in any application. Approval or disapproval of an application does not affect this right.

I-7 **Addenda to the RFP**: If it becomes necessary to revise any part of this RFP, addenda will be provided to all Cities or Counties who received the original RFP.

I-8 **Debriefing Conference**: Cities or Counties, whose applications are not approved, will be notified and will be given an opportunity to be debriefed. The purpose of the debriefing is not to compare applications, but to provide information that may assist the individual City in preparing any future applications. SEEA will schedule the date, time, and location of any and all debriefing conferences.

I-9 **News Releases**: News releases pertaining to this RFP may not be made without, SEEA's approval, and then only in coordination with Executive Director Ben Taube.

I-10 **Response Date**: In order to be considered for initial review and approval, applications must arrive by 2:00 p.m. on the date and at the location specified in I-3 above. After the deadline time and date for this initial solicitation, applications from additional Cities or Counties will not be considered for qualification.

I-11 **Applications:** To be considered, Cities or Counties must submit a complete application using the format provided in Part II of this RFP. Applicants will not be given an opportunity to change any part of an application after submission. One (1) bound copies and One (1) electronic (CD) of their application must be received by SEEA. The application signature page must be included in each copy of the City or County's application and have an original signature of an official authorized to sign on behalf of the City or County.

I-12 **Restriction of Contact**: From the issue date of this RFP until a determination is made regarding the qualification of Cities or Counties, all contacts with SEEA

personnel concerning this RFP, must be made through the SEEA's Executive Director.

II. About the Southeast Energy Efficiency Alliance

The Southeast Energy Efficiency Alliance (SEEA) promotes energy efficiency for a cleaner environment, a more prosperous economy, and a higher quality of life in the Southeastern region of the United States.

The concept of an energy efficiency alliance in the Southeast began back in 2003 when it was realized that the Southeast was the last major region in the United States without an established regional energy efficiency alliance, even though the Southeast was experiencing record growth and increasing air quality problems. In January 2007, SEEA was incorporated in the state of Georgia as a 501(c)(3).

The organization is based in Atlanta and is active the following states: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia. SEEA brings together businesses, utilities, governments, public utility commissions, energy service companies, manufacturers, retailers, energy and environmental organizations, low-income energy advocates, large energy consumers, and universities to promote energy-efficient policies and practices.

Through advocacy, programs & events, and membership outreach, SEEA helps to assure that energy efficiency takes its place as an essential component of the planning equation.

III. Background: The Energy Alliance Concept

Below is a description of the Alliance Concept, with some references to the Cambridge Energy Alliance. This is meant to be illustrative only. Respondents may depart from this model in any way that makes sense for the conditions and opportunities in your community**.** As noted earlier, references to "cities" is also illustrative: cities, counties and regional governmental organizations are all eligible to respond to this RFP.

In 2007 Massachusetts Governor Deval Patrick, Cambridge City Manager Bob Healy, Secretary of Energy & Environment Ian Bowles, and NSTAR CEO Tom May announced their sponsorship of a new solution to the challenges of energy cost and reliability, environmental stress, and job creation – the city-based "Energy Alliance." It is a revolutionary concept:

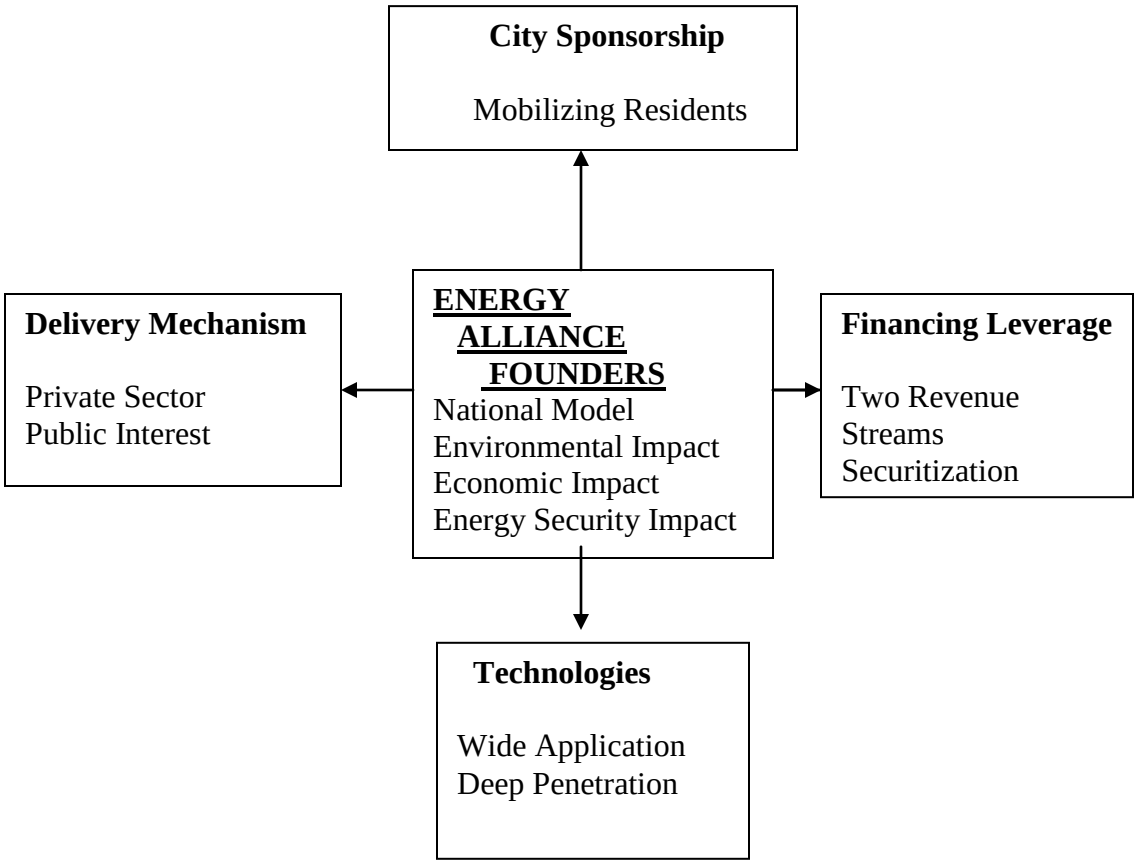

Figure 1. Energy Alliance Concept Structure

The first Southeastern Alliance will have a special impact. Its implementers will set in motion the replication of a national model that has already been recognized for its unique design and potential. They will make possible unprecedented levels of energy efficiency, which produces by far the most cost-effective reduction in greenhouse gases and "carbon footprints." They will enable a new, city-based method of aggregating consumer demand reductions that can be traded in new markets. They will promote practical means of evolving truly distributed energy architecture, bringing energy security, reliability, economy and quality of power to the consumers in our major cities. They will lead an innovative financing design, leveraging large private investment with newly-aggregated public funds. And they will create new jobs in contemporary technologies.

There have been many attempts to meet these challenges. The "Clinton Initiative," various utility-based programs, the Regional Greenhouse Gas Initiative, Carbon trading, renewable-energy credits, energy-procurement regulations, Independent System Operator (ISO-NE)'s Forward Capacity Market, and other programs work through existing institutions using public money. They bring new resources of substantial value, calling for new means of delivery.

The municipal Energy Alliance delivers results via four innovations (see the above Figure):

- *City Sponsorship* – mobilizing residents and businesses by using the City's "brand," authority, communications, partnership with SEEA, and relationships
- *A Unique Delivery Mechanism* infusing the City's public interests and quality control into an independent non-profit organization (SEEA can provide this role for the City), free of bureaucratic procurement and personnel restrictions, combining prominent public and private governance
- *Financing Leverage* of large private investment with public funding, which can be used to subsidize financing and/or guarantee loans for both small and large customers;
- *Wide and Deep Technology applications* that yield maximum savings based on high-level collaboration with customer managements, utilities, political and business leaders, and energy experts

2. **City Sponsorship**

Cities are natural aggregators. With the exception of some "municipal electric utilities," however, they have not used their trusted and authoritative relationships with citizens to sponsor the kind of collaboration that can achieve high energy and environmental goals. Only regulated utilities have the consumer-aggregating power of a city administration; but utility demand-side energy programs have suffered from cultural, regulatory, and organizational restrictions. Programs based entirely on delivering public dollars through government or utility mechanisms have difficulty penetrating all market sectors, mobilizing private investment, translating a high proportion of public resources into cost-effective facility improvements, and deploying a wide range of technologies deeply into effective applications.

These objectives are within the City's reach.

The Energy Alliance design is based on mobilizing the City's citizens and the leaders of its institutions and businesses. Because of its City sponsorship and collaboration with local and State leaders, it has access to the decision-makers that no contractor or utility representative can consistently and effectively reach. This allows the Energy Alliance to run a "campaign," not unlike a political campaign in its public and high-level access. It can use certificates and endorsements and ratings and publicity to make participation a privilege and non-participation a mistake. It can offer unique "Value-added" to the projects it sponsors:

- Assistance with utility approvals, interconnections, charges, other cooperation
- Assistance with City and State approvals, licenses, and cooperation
- Joint announcements and publicity; participation and leadership in the Energy Alliance
- Relations with community, government, students, faculty, customers, shareholders, staff, special-interest groups, peers, and other stakeholders
- Consistent, authoritative, and verifiable documentation of energy consumption and demand, savings, trends, baselines and comparisons – by facility and end-use

- Augmentation of internal staff (analysis, documentation, project management)
- Financing when and as needed, no hassle, at a total cost less than internal costs or opportunity cost
- Support for internal budgeting, approvals, coordination with related programs
- Speed – Improvements installed and savings started without delays
- "Open Purchase Order" approach allows projects to be added as discovered or as requested, without capital budget processing
- Services of an Independent Engineer, expert in energy
- Assurance of maximum opportunities for savings (energy, demand profile, water, maintenance, replacement) and lowest life-cycle cost
- Commissioning
- Savings verification
- Ombudsperson services
- Quality assurance (design, construction, O&M, training, documentation)
- [Note these are additional to the Values added by the pre-approved Cities or Counties – savings, reliability, comfort, environmental stewardship, etc.]

3. **Delivery Mechanism**

As an example, the Cambridge Energy Alliance is an independent non-profit corporation, governed by a Board appointed by City administration. Its Bylaws give it freedom to conduct business free of political or special interests, to choose its management, to procure services, to engage employees, and otherwise to conduct business as a private company with a charitable purpose.

The Energy Alliance internalizes the functions of marketing and account management (including the "campaign"), quality control via a competitively-selected Independent Engineer, financing arrangements, and verification and documentation of results.

The remaining functions necessary for effective operations are outsourced to energy services companies competitively selected for each market sector. They perform the energy and water consumption audits, design, procurement and installation of equipment and improvements, training, and maintenance.

The challenge for the applicant will be to establish the services infrastructure to bring the selected Energy Alliance to the point of self-financing, including:

1. Presenting the design concept, customized to the particular sponsor, and securing of commitments from all those in authority;
2. Recruiting and assigning (a) local resources ("affinity groups") with strong marketing potential and (b) key "leadership" customers with influence over decision-makers in the principal markets; organizing an Advisory Board and CEO Council of community and customer representatives which SEEA will assist;
3. Identifying, modifying, or incorporating an effective Operating Company to manage the Local Energy Alliance (LEA); getting Bylaws approved; recruiting Board and Officers; supporting organization of activities and management;

4. Providing the working capital necessary to organize, recruit, and mentor the Operating Company's management and staff;
5. Modeling future cash flows and their monetization as in Appendix 1; ensuring sources and uses of cash, service of debt;
6. Setting up the marketing "campaign";
7. Producing sales collateral materials;
8. Setting up web site, call-in arrangements, other contacts;
9. Arranging earned media coverage, advertising, professional networking;
10. Defining Account Management process and recruiting effective representatives;
11. Setting up markets for Attributes and service charges;
12. Arranging local utility collaboration;
13. Designing the intake and tracking process;
14. Pre-qualifying general contractors and independent engineers; organizing quality assurance;
15. Raising non-recourse, off-balance-sheet, 100% project financing for large projects;
16. Qualifying providers of project financing for smaller projects;
17. Budgeting operations, setting up accounting systems;
18. Writing standard contracts between the Operating Company and its contractors and customers;
19. Ensuring application of advanced technologies in energy and water efficiency, load control, cogeneration, and renewable sources;
20. Designing data gathering, consistency, and documentation; and
21. Applying for federal Energy Block Grant, energy efficiency block grant, and other new federal energy programs

IV. Scope of Work for Applicant

To qualify for funding interested applicants must engage and commit their community as follows:

1. Gain the support of key stakeholders: City mayors, Governor, State Public Utility Commissioners, State Energy Offices, City councilors, county commissioners, the community foundation, non profit community, advisory councils, City Environmental department and staff, the local electric and gas utility (both investor owned and public), energy service sector, financial community, and a key decision-maker in the university community are the targets. Through a series of meetings and teleconferences with single and multiple stakeholders, the feasibility of the program must be evaluated, formal commitments must be documented and submitted, and the outline of the effort drafted.

2. Set Preliminary Milestones: A preliminary, informal advisory council will be established to set program milestones, narrow options for the implementation vehicle, ascertain the degree of linkage between the Local Energy Alliance (LEA) and the local government, discuss program design, understand the financing

vehicle, gain additional commitments from a second tier of stakeholders, and identify a chair/spokesperson for the council.

3. Market Characterization Summary: Respondent must demonstrate a general understanding of the demographic and energy characteristics of the area to be served. At a minimum, the estimated number of residential and commercial buildings and units by size categories in units or square feet; the energy and water use and cost summaries by end use market segment; the breakouts of primary heating and cooling technologies; the metering configurations of the four major customer classes (small and large residential; small and large commercial and industrial); and typical energy efficiency retrofits, including costs and savings ranges, for at least four building types: small residential; large residential; small C&I; and large C&I (examples are sufficient). Precision and comprehensiveness is not required in this market characterization, but revealing a basic knowledge of your market and its energy use and cost patterns and cost-effective efficiency retrofits is necessary. Primary and secondary sources estimates should be cited.

4. Local Utility/Public Service Commission Commitment for Funding or Alternative Source for these Resources: To adequately treat small residential (below 20 units) and small commercial (below 300 kW) customers in an LEA, it is anticipated that some third party—generally a utility from a system benefit charge or a pilot program budget—must commit to provide funding for the initial visit to these customers. This initial visit generally includes some level of energy and water audit and will cost between $150-500, depending upon the level of service and size/sophistication of the customer. For larger customers, ESCOs are often willing to undertake this cost as a marketing expense. This RFP seeks from proposers some identifiable likely source or sources to cover this initial visit cost from a local entity from both the utility sector and ESCO partners.

   Since most states in the Southeast have either no system benefit charge programs, or very modest ones, it is acceptable for a utility filing, pilot program filing, or written statement of intent from a local utility as a commitment to covering these costs for an LEA. Other sources for these funds—local or state government funds—are also acceptable with a firm letter of intent or firm grant or contract. It is probable that the 2009 federal Stimulus package under current consideration by Congress will include energy funding to states and communities that can be used for such purposes. If this funding materializes, proposers must demonstrate their intent to seek sufficient funds and demonstrate the level of support in the area, including state government and congressional support, to succeed in any federal solicitation.

   It is possible that the LEA can design a program such that a third party absorbs this initial expense for small or large customers, and recoups the expense in a financing program, such as utility on bill financing.

5. Identify Local Partners for Program Planning, Initial Implementation Assistance. The proposing team must interview and evaluate local energy consulting and engineering firms to find the best partners to assist in the start-up planning and implementation phases.

6. Identify the Organizational Entity as Operating Company: Designate an existing nonprofit (SEEA can be considered), unit of government, or establish a new nonprofit organization to formally plan and implement the project: the Operating Company. This Operating Company must enjoy the support and sponsorship of the local government, electric and gas utilities, community foundation, and other key stakeholders on the organizing committee;

7. Draft a Resolution between the City or County (with supporting letters from local utilities, organizing committee, community foundation, other key stakeholders) that sets forth the following local government obligations:

    a. A Letter of Intent from the Local Community including Mayor or County Commissioner;

    b. The designation of SEEA as the operation company or alternative path to creation of same;

    c. Permission to assign the community "attributes" to the Operating Company. Attributes are defined as carbon offsets, electricity demand response payments, renewable energy credits, and any other future pollution reduction payments;

    d. Promise of local government to emphatically sponsor and market the program, including the assignment of identified senior staff to the project and periodic community announcements and other media committed to project;

    e. Pledge of local government to offer its public buildings, including schools, hospitals, and water facilities in an energy performance contracting procurement utilizing the Operating Company as its agent;

    f. The pledge of the local government to assign or recommend the Joint Venture as primary consultant to the Operating Company;

    g. The pledge of the local government to facilitate the Operating Company's acceptance of a proposed structure that features the solicitation of energy services companies and independent engineers as implementation partners in the project; and

h. The statement of project goals in customer participation, energy and water reduction, time period, local job creation and dollar investments over a 5 year period.

V. Required Format of Proposal Response

A. Name of Applicant Organization and Contact Person Telephone, Email information

B. Intended Implementation Organization: Name Existing or Planned Entity

C. Technical Approach: Respond to the following items, outlined in more detail above

1. Demonstrate the support of key stakeholders: Through advisory committee meeting minutes, letters of support, resolutions, other commitments, speak to the breadth of community support.

2. Provide Evidence of Preliminary Milestones: In level of organization, funding commitments, participation levels, and savings achieved, as described above.

3. Provide a market characterization summary: The elements are described above; precision is not required, but a general knowledge should be demonstrated.

4. Demonstrate Local Electric and Gas utility, and where appropriate, Public Service Commission, support for financing support to the program: This can take the form of a system benefits charge program, a pilot program, new rate structure, and may be supplemented by marketing support and on bill financing for residential and commercial customers. At a minimum, describe how you anticipate initial visits to small and large customers will be paid and retrofits financed.

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5. Provide Evidence of other Financial Support from Local Government, State Agencies, foundations or Federal Grant: Any other committed or proposed funding from such an entity should feature a signed contract or letter of intent or support from the intended funding organization. Describe what activity each funding source is supporting and the level of support.

6. Provide Evidence of In-Kind Support from Community, Regional and/or State organizations and agencies: Letters from any stakeholder organizations detailing such support and identifying which individuals or positions within the organization can provide this evidence.

7. Support from the Governor, where possible.

8. Identify and Detail Local Partners for Program Planning, Initial Implementation Assistance: These may include, but are not limited to, engineering firms, community action and weatherization agencies, lenders, utilities, ESCOs, public relations or marketing, and consulting firms. If solicitations for one or more of these partners are intended, please identify the categories of assistance to be provided and specify the tasks intended.

D. **Commitments and Resolutions. Draft a Resolution between the City or County (with supporting letters from local utilities, other organizing committee members, community foundation, other key stakeholders) that sets forth the following local government obligations:**

a. Letter of Intent with the Local Community;

b. The designation of the Nonprofit Operating Company or alternative path to creation of same;

c. Permission to assign the community "attributes" to the Operating Company. Attributes are defined as carbon offsets, electricity demand response payments, renewable energy credits, and any other future pollution reduction payments;

d. Promise of local government to emphatically sponsor and market the program, including the assignment of identified senior staff to the project and periodic community announcements and other media committed to project;

e. Pledge of local government to offer its public buildings, including schools, hospitals, and water facilities in an energy performance contracting procurement utilizing the Operating Company as its agent;

f. The pledge of the local government to facilitate the Operating Company's acceptance of a proposed structure that features the solicitation of energy services companies and independent engineers as implementation partners in the project; and

g. The statement of project goals in customer participation, energy and water reduction, time period, local job creation and dollar investments over a 5 year period.

VI. Evaluation Criteria

There will be a proposal review team comprised of a SEEA Advisory Panel of National Experts. It is anticipated there will be oral interviews for 2-3 finalists, depending upon scoring. The evaluation will be based on the following criteria**:**

1. 20%: Breadth of community involvement, as reflected in the resolutions of commitment and clarity of roles identified among participants.
2. 30%: Depth of community support, reflected in written demonstration of in-kind and financial support pledged to a successfully funded effort.
3. 25%: Comprehensiveness of the plan, including proposed program design, milestones, demonstrated understanding of market and energy characteristics in community.
4. 15%: Reasonableness of project objectives and milestones: striking a balance between aggressive goals, and a realistic understanding of resources, start-up issues, barriers, as these impact implementation schedule.
5. 10%: Innovation: in program design, marketing strategy, technology focus, financing offerings or another critical element to successful program implementation.

VII. Post Award Activities Anticipated by LEA Community

It is anticipated that the financial and technical support will provide the funding for most or all of the following kinds of activities necessary to implement the program:

Once the Resolution is signed, there will be a period of 6-8 months to accomplish the following:

1. Modify, or incorporate the Operating Company to manage the Energy Alliance; get Bylaws approved; recruit Board and Officers; support organization of activities and management

2. Secure a contract with the Operating Company with a scope of work to do the following:

    a. Provide the working capital necessary to organize, recruit, and mentor the Operating Company's management and staff;
    b. Model future cash flows and their monetization as in Fig. 1; ensuring sources and uses of cash, service of debt;
    c. Set up the marketing "campaign", which will feature heavy reliance upon viral internet marketing, a recognition program, a membership campaign conferring benefits from commercial customer participants, and a Green Lease to address split incentive barrier;
    d. Establish a volunteer recruitment effort;
    e. Produce marketing collateral materials;
    f. Set up web site (see d. above), call-in arrangements, other contacts;
    g. Arrange earned media coverage, advertising, professional networking;
    h. Define Account Management process and recruiting effective representatives;
    i. Set up markets for Attributes and service charges;

j. Arrange local utility collaboration (see details below);
k. Design the intake and tracking process;
l. Pre-qualify general contractors and independent engineers; organizing quality assurance;
m. Solicit energy services companies by drafting RFPs, managing selection process;
n. Raise non-recourse, off-balance-sheet, 100% project financing for large projects;
o. Qualify providers of project financing for smaller projects;
p. Budget operations, setting up accounting systems;
q. Write standard contracts between the Operating Company and its contractors and customers;
r. Ensure application of advanced technologies in energy and water efficiency, load control, cogeneration, and renewable sources; and
s. Design data gathering, consistency, and documentation.

3. Assure that local electric and gas utility companies will offer the program their efficiency and renewable incentives without prejudice, and seek enhancements, such as:

a. Assignment of liaison to project;
b. Sharing of customer usage data with operating company;
c. Joint marketing of campaign;
d. Commitment to support seasonally-efficient cogeneration; and
e. Consideration of on-bill financing for all customers.

4. Engage local university(s) in following ways (universities are large energy users, repositories of many volunteers, and sources of policy and programmatic expertise among professors, staff):

a. Participate in financing/performance contracting with the Operating Company in significant efficiency, renewable projects;
b. Solicit students, staff, faculty to volunteer for on campus and community projects;
c. Seek carbon offset monetization opportunities in conjunction with school's greenhouse gas reduction goals; and
d. Seek Operating Company as ally/broker in Combined Heat and Power interconnection negotiations with local utility.

h. Facilitate Workforce Development

a. Mobilize a task force to set goals for local job creation, identify priority job categories, training requirements, apprenticeship opportunities, learning centers, and financial support for green jobs;

b. Assure that local economic development offices, nonprofit organizations (NGOs) with job creation missions, labor unions, contractor associations, the local utilities, community colleges, technical colleges, universities and training centers, consultants, and other stakeholders are involved in the task force activities;
c. Keep apprised of other similar efforts in other communities and communicate to task force appropriate findings;
d. Assure that the task force establishes an action plan within six months covering the ensuing 5 years to recruit, train, educate local residents, with an emphasis on green jobs not requiring college educations;
e. Pay particular attention to identifying and creating new sources of funding for green jobs development, including self-financing from LEA activities (see g, h below);
f. Draft appropriate language and assure that any ESCO solicitations require best efforts for local contractors, minority and women-owned businesses, and green job financial support; establish selection criteria which reward strong commitments to green job creation;
g. In creation of LEA budget, create line item for support of green jobs, stipulated for funding an appropriate piece of the action plan in "d" above; this line item will be tied to the revenue stream of customer service charges and attribute funding secured in customer projects;
h. For public buildings and other large customers participating in the LEA through standard energy performance contracts, suggest cash flow streams with a column devoted to a "green jobs creation fund", tied to the action plan in "d" above. In other words, advocate for commitments by customers to dedicate a part of their annual savings stream to such a fund benefiting the local community; and
i. Work with local high school curriculum and guidance offices to feature green jobs in energy curricula, guidance counseling, and other activities involving school/LEA collaborations.

VIII. Intent to Respond

Please return by March 6, 2009 to SEEA, P.O. Box 13909, Atlanta, GA 30324; or cities@seealliance.org

RFP: Launching a Community Energy Alliance

Name of Proposing City, County, Regional Government or Entity on Behalf of Same

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Address

Primary Contact Name:

Business Phone No:_____Fax No.:_____

Email Address:_____

_____ (please check if appropriate)We intend to Respond to the proposal

_____(please check if appropriate) We intend to Respond to the proposal, but have the following question(s) (please submit below:)

_____(please check if appropriate) We do not intend to Respond to the proposal for the following reason(s) (please elaborate below).

IX. Appendices

Appendix A: Description of Additional Funding/Financing Opportunities

A. State and Regional: Determining Energy and Environmental Benefits or "Attributes

Besides the local utility's reductions in energy and water demand have external value in the evolving markets for carbon, renewable energy, and pollution reduction, as discussed above. These are essentially commodity markets, some on a national basis and some locally The LEA will be expert in such commodity sales and trading.

"Attributes" are severable commodities derived from the primary benefits of energy efficiency. They include:

1. Payments for electric peak-demand reductions bid into "forward capacity" markets managed by the regional electric grid operators (e.g., ISO-NE)[1]; this is described as "demand response" below;
2. Sale of Renewable Energy Credits ("Green Tags") generated by each kWh of energy produced by renewable sources[2]
3. State or utility purchases of proven energy consumption reductions ("white tags"), funded by legislative appropriation, auction of generators' emission allowances under cap-and-trade programs, or public-benefit charges to ratepayers[3]
4. Sale of clean-air improvements. The existing markets for "carbon offsets," (CO2), SOx and NOx reductions are voluntary and still thin, but have large potential for managers of energy efficiency impacts that are local and verifiable.[4]
5. Other penalties and mitigation strategies that can be directly sold of commoditized.

The LEA will pursue strategies to monetize the value of these attributes to the greatest extent possible to support operations and reduce the cost of projects. The following program attributes are potential revenue sources available in parts of the country, and potentially available in the Southeast.

System Benefit Charge Programs

Investor-owned utilities in the Northeast, upper Midwest and West have for more than a decade charged all ratepayers between one and four mills per kWh and therm of gas to fund energy efficiency programs, customized for all sectors. Ranging from energy audits to full and partial subsidies for efficient lighting, controls, appliances, and gas-heating equipment, these system benefit charge programs (SBC) justify their incentives based on Integrated Resource Management plans and other cost-effectiveness criteria set and reviewed by public utility commissions. These programs spend more than $1 Billion

[1] [refer to appendix F – Forward Capacity Market (FCM)]
[2] [refer to appendix describing RECs]
[3] [refer to appendix describing e.e. purchases and RGGI]
[4] [refer to appendix describing clean-air commodities and recent sales (e.g., COA purchase from Oregon)]

annually, and are the principal stimulus for the energy efficiency industry. Large C&I customers in most states have opt-out provisions to not accept the SBC program and rate charges.

Recent legislation in California, New York, Massachusetts and other states has enacted decoupling, the separation of electric industry profits from revenues. By so doing, investor-owned utilities can earn profit on their energy efficiency and cogeneration investments without offsetting penalties as efficiency reduces electric sales.

Demand Response Incentives

Several investor-owned utilities administer a range of demand response programs that pay incentives to customers who curtail their facilities' energy during times of peak demand. Each program offers unique features which may include a monthly incentive for participating (whether or not peak demand reduction events occur), advanced notice for peak demand reduction requests, and limitation of the frequency and duration of peak demand events.

Renewable Energy Credits (REC)

Several states offer these credits. A good example is that of California. California's Renewable Portfolio Standard (RPS) was enacted on September 12, 2002 (S.B. 1078). The RPS required retail sellers of electricity to purchase 20% of their electricity from renewable resources by 2017. Subsequently, the California Public Utilities Commission (CPUC) shortened the deadline for meeting this goal to 2010 and moreover, expanded the goal to 33% by 2020. Eligible renewable resources include biomass, solar thermal, photovoltaics (PV), wind, geothermal, fuel cells using renewable fuels, small hydropower of 30 megawatts or less, digester gas, landfill gas, ocean wave, ocean thermal and tidal current. The Western Renewable Energy Generation Information System (WREGIS) is the tracking system for California's RPS.

Elsewhere in the nation, RPS requirements have spurred a trading market for Renewable Energy Certificates (or Credits), which allow the unbundling of the environmental attributes from the energy benefits of a unit of renewable power. REC owners can claim the renewable attributes of the power without having to take ownership or delivery of the energy itself. This monetization of green attributes offers another route by which renewable power generators can generate revenue.

Some states, including Minnesota, New York, and Pennsylvania, are also creating Energy Efficiency Portfolio Standards through legislation, mandating milestones such that a significant fraction of future electricity load “growth” is comprised of measurable energy efficiency investments, and treated on the same financial terms as new power plants. Accordingly efficiency is considered as a viable alternative to a new generating station, subject to reliability and cost considerations.

B: Other federal potential sources of revenue: grants, awards, third party contributions, etc.

The US Department of Energy provides support for each state's Energy Office, and has a variety of technical assistance programs in its Buildings program, housed in the Energy Efficiency and Renewables Branch (EER). The Department offers both competitive and noncompetitive grant programs, with limited funds. New Hampshire's nonprofit Jordan Institute won last year a three-year $700,000 grant to plan and launch its own version of an Energy Alliance program. No other state, regional, or community initiative has achieved this level of support from DOE for an effort of this kind.

The Internal Revenue Service manages tax credit programs for both efficiency and renewables applications. Many of the tax credits for business and homes were modified and extended by the October, 2008 Emergency Economic Stabilization Act. The energy efficiency credits are richer for new construction, but existing residences can qualify for 10% credits for windows, envelope and other measures, and up to a 100% incentive for HVAC and hot water measures, with a maximum household credit of $500. Solar hot water, grounds source heat pumps and home PV and wind systems are eligible for a 30% tax credit, up to a maximum of $2000.

There is a similar program for commercial buildings, with a maximum of $1.80 per square foot tax credit incentive for efficiency improvements and 30% business tax credits for wind, photovoltaics, solar hot water, geothermal heat pumps and other renewable electric technologies. The EISA 2007 also authorized states and localities to issue tax credit bonds as part of initiatives to reduce greenhouse gases.

2009 Expected Legislative Initiatives in Congress

The incoming Obama Administration is entertaining a variety of energy incentive programs to include in its major economic stimulus package. Many of these measures have been shaped or commented upon by members of the proposal team. Among the likely provisions are:

*an Energy Block Grant to Cities and Counties (35,000 minimum population): $4-6 B;

*Energy Efficiency grants to states for building retrofits, $10 B;

*Six-fold increase in Low-Income Weatherization Program;

*A workforce development program, featuring worker training funds for green jobs creation in efficiency and renewable technologies;

*Loan guarantee programs to support tax exempt and taxable financing associated with energy performance contracts, now circumscribed by recent failures in the financial services industry;

In addition, stand-alone energy initiatives include an **energy efficiency resource standards**, requiring that every state achieve efficiency milestones over the next decade, and directing public utility commissions to collect sufficient revenues to pay for the necessary programs to achieve these goals from system benefit charges. Second, a

mandatory cap and trade carbon program will likely pass the Congress next few years. While the details of the program are not yet known, the program will likely stimulate the raising of hundreds of millions of dollars annually for efficiency, renewables and related programs nationwide. Third, the anticipated bailout of the auto industry, if enacted, will feature an overhauling of the fuel economy standards for both automobiles and light trucks.